Overview

• Market analysis:
  – Why do a market analysis?
  – When should your organization do a market analysis?

• Steps for a successful market analysis:
  – Research goals and objectives
  – Target market scope
  – Research design and methodology
  – Concrete timelines and budget
  – Market research report and implementation
Market Analysis

Why do a Market Analysis?

- Understand the evolving demand for loans, investments and/or financial services
- Test your assumptions
- Anticipate changes in the market
- Assess competitors and/or collaborators
- Identify new opportunities or strategies
- Develop, refine, improve your messaging
- *Evolve, adapt, grow!*

Market Analysis

When should your organization do a market analysis?

- Forming a new or affiliated CDFI
- Developing new products and services
- Implementing new delivery systems (mobile/online)
- Expanding to new markets
- Developing a marketing campaign
- As a regular part of your strategic planning!
Steps for a Successful Market Analysis

1. Define Research Goals and Objectives
   (a) Market Research Goals
   (b) Market Research Objectives

2. Select Target Market Scope
   (a) Identify Business Lines for Market Analysis
   (b) Identify Scope of Market

3. Develop Research Design and Methodology

4. Establish Concrete Timelines and Budget

5. Market Research Report and Implementation

1a) Market Research Goal

Define what you want to learn

- What loans, investments or services will be sought?
- Who else provides this, to whom, under what terms?
- What is your target market currently using?
- How do they access (or want to access) service?
- What is their capacity to be successful with products?
- Where’s the gap?
1b) Market Research Objectives

Define specific research objectives

• Understanding current users of the CDFI
  – How do the current offerings match their needs?
  – How are needs evolving?
  – Why have they chosen the CDFI?
  – When (and for what) do they not choose the CDFI?
  – What do they value most?

• Attracting potential users of the CDFI
  – What products are currently used? How satisfied are they?
  – What have they tried to access from CDFIs or others?
  – What obstacles are confronted?
### 2a) Identify Business Lines for Market Analysis

<table>
<thead>
<tr>
<th>Community Development:</th>
<th>Credit Unions</th>
<th>Banks</th>
<th>Loan Funds</th>
<th>Venture Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail banking</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer lending</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home mortgages</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Small business</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Affordable housing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Community facilities financing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

### 2b) Identify Scope of Market

<table>
<thead>
<tr>
<th>Community Development:</th>
<th>Credit Unions</th>
<th>Banks</th>
<th>Loan Funds</th>
<th>Venture Capital Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who is Served?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nonprofit/community facilities</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

| Size of Market                         |              |      |            |                       |
| Local                                  | ✓            | ✓    | ✓          |                       |
| Regional                               | ✓            | ✓    | ✓          | ✓                     |
| National                               |              | ✓    |            |                       |
3) Research Design and Methodology

• Articulate research questions
• Select data collection method
  – Quantitative: Clear idea of what you want to measure and seek to do so “objectively”
    • External secondary data
    • Existing institutional data
    • Primary data collection through surveys
  – Qualitative: Exploratory in nature enabling you to dig into issues, understand perceptions and motivations, test ideas, search for problems or opportunities

Quantitative Data Sources for CDFIs:
• PolicyMap: income, housing, employment, education, lending, quality of life indicators and much more
• CDFI CIMS3 mapping program
  – Certified CDFIs have a map and list of the census tracts in their approved CDFI Target Market.
  – Organizations that are not yet certified can still register on the CDFI system and map their members and loans to see the eligibility of their target market.
3) Research Design and Methodology

More Quantitative Data Sources for CDFIs:

- Mapping Internal Data: Geocode member/borrowers to see how distributed through the target market.
- ACH records
- Internal credit report and score data
- Modeled data for consumer analytics

3) Research Design and Methodology

Qualitative Data Sources and Approaches for CDFIs:

- In-depth interviews with borrowers
- Focus Groups
- Stakeholder interviews
  - Internal stakeholders: loan officers, collections, marketing\outreach team
  - External stakeholders: community partners, public officials, media
- Town hall/Annual Meetings of Members
- Social Media
4) Establish Concrete Timelines and Budgets

- Develop Timeline for Collecting and Analyzing Information
  - Review and compile secondary data
  - Design primary data collection instruments
  - Field Research
  - Analysis
  - Reporting

- Develop Research Budget including external and internal costs

5) Market Research Report and Implementation

- Review and Analyze Findings
  - Preliminary report and review
    - What patterns and trends are emerging?
    - Circulate and review preliminary report internally before completing research phase
    - Compare information against research goals – what’s missing?

  - Board\Stakeholder Input

  - Finalize Report
5) Market Research Report and Implementation

• Incorporate Research into Operations
  – Compare final report with CDFI products, services
    • High level comparison of CDFI profile with peer CDFIs
    • Deep dive operational review (Emerging Market Review) to determine how CDFI operations align with findings from market research
  – Consider pathways or alignment of products and services to help members\customers to progress and CDFI to thrive

• Implementation
  – Incorporate into strategic planning and direction-setting
  – Develop tracking tools to determine how customers are guided internally through pathway

Questions?